



May 12, 1983
NUMBER 7700.18

Department of Defense Instruction ASD(MRA&L)

SUBJECT : Nonappropriated- and Privately-Funded Construction Projects -
Review and Reporting Procedures

References: (a) DoD Instruction 7700.18, "Nonappropriated and Privately
Funded Construction Projects - **Review** and Reporting Pro-
cedures," March 30, 1982 (hereby canceled)
(b) **DoD** 4270.1-M, "Construction Criteria," June 1978,
authorized by 'DoD Directive 4270.1, February 16, 1978
(c) **DoD** Directive 7040.2, "Program for Improvement in
Financial Management in the Area of Appropriations for
Acquisition and Construction of Military Real Property,"
January 18, 1961
(d) through (g), see enclosure 1

A. REISSUANCE AND PURPOSE

This Instruction reissues reference (a) to:

1. Revise the information that must be provided to the Congress annually.
2. Prescribe guidance for the review and **annual** reporting of construction projects proposed to be acquired with other than appropriated funds, including commissary store surcharge funds and private funds (hereafter referred to as "nonappropriated-funded construction projects" (**NAFCPs**)).

B. APPLICABILITY AND SCOPE

1. This Instruction applies to the Office of the Secretary of Defense (**OSD**), the Military Departments, and the Defense Agencies (hereafter referred to as "DoD Components").

2. Its provisions encompass **NAFCPs** that are authorized for construction under criteria outlined in reference (b) and that are required for the support of morale, welfare, and recreational activities located on DoD-owned or -controlled property.

a. The NAFC program includes all construction projects that involve the acquisition, erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities; or the relocation of a facility from one installation to another. Construction includes the cost of installed equipment that is affixed and built into the facility as an integral part of the facility. See enclosure 1 to reference (c).

b. The cost of installing equipment that is movable and not affixed as an integral part of the existing facility and is not classified as construction may not be reported. See enclosure 2 of DoD Instruction 7040.5 (reference (d)) for guidance concerning real property facilities.

c. When construction, repair, and maintenance are accomplished simultaneously as an integrated undertaking, only the construction costs shall be reported. Any reliable source for valid costing, such as engineering estimates or accounting records, may be used to determine the costs applicable to the construction portion.

3. Funding policies and procedures for the establishment, construction, maintenance, and operation of these activities are prescribed in DoD Directive 1330.2 (reference (e)).

C. POLICY

It is the policy of the Department of Defense to comply with the congressional request to review and report annually all NAFCPs.

D. PROCEDURES

1. NAFCPs estimated to cost more than \$500,000 may not be placed under contract, and work may not begin unless approved in advance by the Secretary of the Military Department or the Director of the Defense Agency concerned, or their designees, and the NAFCP has been included in an annual report to the Committee on Armed Services of the United States House of Representatives (hereafter referred to as the "House Armed Services Committee").

2. Projects shall conform to the criteria in DoD 4270.1-M (reference (b)); those not conforming, regardless of cost, may not be placed under contract, and work may not begin without advance approval by the Secretary of the Military Department or the Director of the Defense Agency concerned, or their designees.

a. DD Form 1390, "FY__ Military Construction Program," and DD Form 1391, "FY__ Military Construction Project Data," shall be prepared in accordance with enclosures 1 and 2 of DoD Instruction 7040.4 (reference (f)) and used to support NAFCPs. The supporting documentation shall include both the OSD planning criteria allowance and the determination of actual need to ensure that the facility has been appropriately sized.

b. Urgent or unforeseen requirements that have not been reported previously and cannot be delayed until the next annual report may be forwarded to the House Armed Services Committee as a supplementary report. However, these supplementary reports shall be held to a minimum.

c. If a project previously estimated to cost under \$500,000 exceeds this ceiling based on bids received, the project may be placed under contract, provided the current working estimate based on contract award does not exceed the \$500,000 limit by more than 25 percent.

d. If it is necessary to exceed the reported project scope by 10 percent or the reported project cost by 25 percent, the DoD Component concerned shall notify the House Armed Services Committee and provide the reasons for this variance. Unless otherwise advised by the House Armed Services Committee, contract commitment may proceed after 15 days of the notification. A copy Of each report shall be sent to the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) (ASD(MRA&L)).

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3. All facilities proposed for construction with nonappropriated funds shall be sited in conformance **with** the approved installation master plan as required by DoD 4270.1-M (reference (b)).

a.. Construction projects proposed on sites within the National Capital Region, **as** defined in reference (b), shall be provided to the National Capital Planning Commission and, when applicable, to the Commission of Fine Arts for review.

b. Projects **to** be **submitted** to the National Capital **Planning** Commission or the Commission of Fine Arts shall be submitted initially to the **ASD(MRA&L)** for information.

E. RESPONSIBILITIES

Heads of DoD Components shall comply with the provisions of this Instruction.

F. INFORMATION REQUIREMENTS


1. In accordance with the instructions and formats at enclosure 2, each DoD Component shall submit annual reports of all projects estimated to cost over \$500,000 that are financed with nonappropriated funds. Also, **lump sum** estimates of proposed expenditures on projects with costs of \$200,000 to \$500,000 shall be reported. Reports shall be submitted directly to the House Armed Services Committee.

2. Reports for each fiscal year shall **be** submitted no later than July 1. One copy of the report including DD Forms 1390 and 1391 shall be furnished concurrently to the **ASD(MRA&L)**.

3. The reporting requirements of this Instruction have been assigned Report Control Symbol **DD-M(A)1167**.

G. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Forward one copy of implementing documents to the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) within 120 days.

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Lawrence J. Korb
Assistant Secretary of Defense
(Manpower, Reserve Affairs, and Logistics)

Enclosures - 2

1. References
2. Reporting Instructions: **Nonappropriated-**
Funded Construction Program

REFERENCES, continued

- (d) DoD Instruction 7040.5, "Definitions of Expenses and Investment Costs," September 1, 1966
- (e) DoD Directive 1330.2, "Funding of Morale, Welfare and Recreation (MWR) Programs," March 17, 1978
- (f) DoD Instruction 7040.4, "Military Construction Authorization and Appropriation," March 5, 1979
- (g) DoD Instruction 7000.12, "Financial Management of Morale, Welfare, and Recreational Activities," September 4, 1980

REPORTING INSTRUCTIONS
NONAPPROPRIATED-FUNDED CONSTRUCTION PROGRAM

A. SCOPE . Projects over \$500,000 that have been programed for **accomplishment** . **during the** next fiscal year with nonappropriated funds and for which funds (other than for planning or design) are available, or are reasonably expected to be available, and have not yet been obligated, shall be reported individually. Project scope and costs should be based upon 35 percent design when possible. DD Forms 1390 and 1391 for those projects shall be attached to the report. **Valid projects** not started during the reporting period shall be reported again for the year in which construction is anticipated. Additionally, the estimated cost (lump sum) of all projects with a cost of \$200,000 to \$500,000 planned for the reporting period shall be reported by fund source.

B. FORMATS . Reports shall be submitted on 8½- by n-inch paper.

1. Format A. This DoD Component summary shall be used as the covering page for each report. See enclosure 3 to DoD Instruction 7000.12 (reference (g)) for an explanation of financial reporting categories.

2. Format B. The projects (with estimated cost in excess of \$500,000) included shall be grouped by similar projects within each funding source. DoD Components should consolidate inputs from subordinate commands. Each project listed shall include a brief description of the proposed construction, including scope of work, and a brief justification of the need for the project.

Attachments - 2

1. Format A - Sample Summary Page
2. Format B - Sample Report by Fund Source

FORMAT A - SAMPLE SUMMARY PAGEDEPARTMENT OF THE NAVY

SUMMARY BY FUND SOURCE
 FOR THE PERIOD OCTOBER 1, 1983, TO SEPTEMBER 30, 1984
 (In Thousands of Dollars)

<u>Fund Source</u>	BETWEEN \$200 and <u>\$500</u>	OVER \$500	<u>TOTAL</u>
1. Exchange Funds	\$ 4,201	\$ 7,650	\$11,851
2. Other Resale or Revenue-Sharing Activity Funds	--	--	--
3. Military Welfare or Recreation Funds	744	1,700	2,444
4. Civilian Welfare or Recreation Funds	--	--	--
5. Open Mess Funds	--	960	960
6. Other Membership Association Funds	--	--	--
7. Common Support Services Funds	--	--	--
8. Supplemental Mission Services Funds	--	--	--
9. Commissary Store Surcharge Funds	300	--	300
10. Private Funds	--	--	--
TOTALS	<u>\$ 5,245</u>	<u>\$10,310</u>	<u>\$15,555</u>

FORMAT B - SAMPLE REPORT BY FUND SOURCE

DEPARTMENT OF THE NAVY

PROPOSED NONAPPROPRIATED-FUNDED PROJECTS WITH COST IN EXCESS OF \$500,000
FOR THE PERIOD OCTOBER 1, 1983, TO SEPTEMBER 30, 1984
(In Thousands of Dollars)

<u>Installation</u>	<u>Project Description and Justification</u>	cost
	<u>EXCHANGE FUNDS</u>	
Naval Postgraduate School, Monterey, CA	Construction of a new 32,000-square foot retail store that will include personalized services, optical shop, flower shop, snackbar, retail selling, and backup space. Buildings are approximately 45 years old and of temporary construction. Exchange facilities currently are located throughout the station and are difficult to manage. This project will consolidate exchange services.	\$2,900
Naval Air Station North Island, CA	Construction of an 8,500-square foot Navy exchange building to house convenience store, fast-food facility, Laundromat, gameroom, and barbershop. Exchange is located currently in a deteriorating 35-year-old temporary barracks structure. Within 3 years the exchange will serve 13,000 military personnel.	\$ 700
Naval Station, Roosevelt Rds, PR	Construction of 44,264-square foot Navy exchange shopping complex, including retail sales area, services shop, cafeteria, backup storage area, employees' lounge, administrative areas, and parking. Existing buildings constructed 40 years ago have deteriorated beyond repair and are not located near main working areas. Local economy is unable to provide goods to onboard military and authorized civilian personnel, as well as about 6,000 off-station personnel with Navy exchange privileges.	\$4,050
	TOTAL EXCHANGE FUNDS	<u>\$7,650</u>